

**REPORT OF THE AUDIT OF THE  
PIKE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2010**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administrative Cabinet  
Honorable Wayne T. Rutherford, Pike County Judge/Executive  
Members of the Pike County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Pike County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PIKE COUNTY FISCAL COURT**

**June 30, 2010**

Tichenor & Associates, LLP has completed the audit of the Pike County Fiscal Court for fiscal year ended June 30, 2010. We have issued unqualified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. We have issued a qualified opinion on the aggregate discretely presented component units. We qualified our opinion on the aggregate discretely presented component units because the Pike County Golf Management Corporation, a legally separated component unit, used an accrual basis of accounting for presentation of their financial statements. The Pike County Fiscal Court used a modified cash basis of accounting for presentation of their financial statements. Accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting require component units to be reported under the same basis of accounting as the primary government. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Pike County's major federal program for the year ended June 30, 2010.

#### **Financial Condition:**

The county had total net assets of \$57,848,585 as of June 30, 2010. The county had unrestricted net assets of \$3,711,962 in its governmental activities as of June 30, 2010, with total net assets of \$54,909,356. In its business-type activities, the county had unrestricted net assets of \$2,147,131 with total net assets of \$2,939,229. Total debt principal as of June 30, 2010, was \$22,608,627 with \$7,761,878 due within the next year.

#### **Report Comment:**

2010-1 The County Should Record Construction In Progress In The County's Accounting Records And Financial Statements

#### **Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities.



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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Wayne T. Rutherford, Pike County Judge/Executive

Members of the Pike County Fiscal Court

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Pike County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of Pike County Golf Management Corporation, which represent 36% and 61%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pike County Golf Management Corporation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, Pike County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of Pike County Golf Management Corporation, a discretely presented component unit of Pike County Fiscal Court are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statement are not reasonably determinable.

To the People of Kentucky  
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Members of the Pike County Fiscal Court

In our opinion, based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Pike County Golf Management Corporation's financial statements been presented on a modified cash basis of accounting, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Pike County, Kentucky, as of June 30, 2010 and the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for Pike County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Management has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pike County, Kentucky's basic financial statements. The accompanying supplemental information, combining fund financial statements and component unit fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements, component unit fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have issued our report dated March 4, 2011, on our consideration of Pike County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Wayne T. Rutherford, Pike County Judge/Executive  
Members of the Pike County Fiscal Court

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs, included herein, which discusses the following report comment:

2010-1 The County Should Record Construction In Progress In The County's Accounting Records And Financial Statements

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

March 4, 2011

**PIKE COUNTY OFFICIALS****For The Fiscal Year Ended June 30, 2010****Fiscal Court Members:**

Wayne T. Rutherford	County Judge/Executive
Jeff Anderson	Magistrate
Vernon Johnson	Magistrate
Leo Murphy	Magistrate
Kenneth Robinson	Magistrate
Lloyd Hillman Dotson	Magistrate
Christian Harris	Magistrate

**Other Elected Officials:**

Howard Keith Hall	County Attorney
Rodney Scott	Jailer
Lillian P. Elliott	County Clerk
David Deskins	Circuit Court Clerk
Charles "Fuzzy" Keese	Sheriff
Lonnie Osborne	Property Valuation Administrator
Russell Roberts	Coroner

**Appointed Personnel:**

Johnda B. Billiter	County Treasurer
Rhonda James	Finance Officer

**PIKE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**PIKE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Primary Government</b>			<b>Component Units</b>	
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	<b>Pike County Interlocal 911 Board</b>	<b>Pike County Golf Mngt. Corp. 12/31/09</b>
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 4,616,385	\$ 4,910,528	\$ 9,526,913	\$ 21,897	\$ 119,787
Receivable Due From Airport Board	9,659		9,659		
Receivable Due From Golf Management	583,348		583,348		
Receivable Due From 911 Board	66,625		66,625		
Inventory					14,280
Prepaid Expenses					4,057
Total Current Assets	5,276,017	4,910,528	10,186,545	21,897	138,124
Noncurrent Assets:					
Construction in Progress	4,735,829		4,735,829		
Capital Assets - Net of Depr.					
Land and Land Improvements	1,555,360		1,555,360		
Buildings	12,791,598	65,016	12,856,614		
Vehicles and Equipment	4,262,671	2,919,881	7,182,552	1,110,080	518,058
Infrastructure	43,940,312		43,940,312	(613,640)	(339,931)
Total Noncurrent Assets	67,285,770	2,984,897	70,270,667	496,440	178,127
Total Assets	72,561,787	7,895,425	80,457,212	518,337	316,251
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable					48,282
Notes Payable	6,935,000		6,935,000		
Financing Obligations Payable	308,716	518,162	826,878		
Total Current Liabilities	7,243,716	518,162	7,761,878		48,282
Noncurrent Liabilities:					
Notes Payable	8,510,000		8,510,000		
Financing Obligations Payable	1,898,715	4,438,034	6,336,749		
Total Noncurrent Liabilities	10,408,715	4,438,034	14,846,749		
Total Liabilities	17,652,431	4,956,196	22,608,627		48,282
<b>NET ASSETS</b>					
Invested in Capital Assets,					
Net of Related Debt	49,633,339	(1,971,299)	47,662,040	496,440	178,127
Restricted For:					
Capital Projects	1,564,053		1,564,053		
Landfill Closure and Postclosure		2,763,397	2,763,397		
Debt Service	2		2		
Unrestricted	3,711,962	2,147,131	5,859,093	21,897	89,842
Total Net Assets	\$ 54,909,356	\$ 2,939,229	\$ 57,848,585	\$ 518,337	\$ 267,969

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**

**PIKE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 9,640,007	\$ 322,558	\$ 1,271,875	\$ 319,191
Protection to Persons and Property	5,231,043	588,697	2,280,580	
General Health and Sanitation	885,081			
Social Services	1,228,729			
Recreation and Culture	1,496,814	913	2,949,667	
Roads	6,993,155		19,852,542	
Airports	94,392			
Other Transportation Facilities and Services	1,318,115			
Interest on Long Term and Short Term Debt	549,991			
Capital Projects	74,256			
Total Governmental Activities	27,511,583	912,168	26,354,664	319,191
Business-type Activities:				
Solid Waste Operations	9,206,070	5,808,802	112,194	
Jain Canteen	112,718	115,303		
Total Business-type Activities	9,318,788	5,924,105	112,194	
Total Primary Government	\$ 36,830,371	\$ 6,836,273	\$ 26,466,858	\$ 319,191
Component Units:				
Pike County Inter-Local 911 Board	\$ 502,011	\$ 406,547	\$	\$
Pike County Golf Management Board	454,144	211,555	319,196	
Total Component Units	\$ 956,155	\$ 618,102	\$ 319,196	\$

**General Revenues:**

Taxes:  
    Real Property Taxes  
    Personal Property Taxes  
    Motor Vehicle Taxes  
    Other Taxes  
Excess Fees  
Interest Received  
Transfers  
Loss on Sale of Assets  
Miscellaneous Revenues  
  
Total General Revenues  
Change in Net Assets  
Net Assets - Beginning (Restated)  
  
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**PIKE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Totals	Pike County Interlocal 911 Board	Pike County Golf Mngt. Corp. 12/31/09
\$ (7,726,383)	\$	\$ (7,726,383)	\$	\$
(2,361,766)		(2,361,766)		
(885,081)		(885,081)		
(1,228,729)		(1,228,729)		
1,453,766		1,453,766		
12,859,387		12,859,387		
(94,392)		(94,392)		
(1,318,115)		(1,318,115)		
(549,991)		(549,991)		
(74,256)		(74,256)		
74,440		74,440		
	(3,285,074)	(3,285,074)		
	2,585	2,585		
	(3,282,489)	(3,282,489)		
74,440	(3,282,489)	(3,208,049)		
			(95,464)	
				76,607
			(95,464)	76,607
2,142,266		2,142,266		
811,281		811,281		
574,426		574,426		
815,320		815,320		
661,003		661,003		
4,564	47,178	51,742	138	88
600,278	(600,278)			
852,126		852,126		(4,688)
6,461,264	(553,100)	5,908,164	138	(4,600)
6,535,704	(3,835,589)	2,700,115	(95,326)	72,007
48,373,652	6,774,818	55,148,470	613,663	195,962
\$ 54,909,356	\$ 2,939,229	\$ 57,848,585	\$ 518,337	\$ 267,969

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2010**

**PIKE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**

	<u><b>General Fund</b></u>	<u><b>Road Fund</b></u>	<u><b>Jail Fund</b></u>	<u><b>LGEA Fund</b></u>	<u><b>LGED Fund</b></u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 242,595	\$ 1,440,989	\$ 80,658	\$ 779,882	\$ 472,319
Receivable Due From Airport Bd.				9,659	
Receivable Due From Golf Management				583,348	
Receivable Due From 911 Board	66,625				
Total Assets	<u>\$ 309,220</u>	<u>\$ 1,440,989</u>	<u>\$ 80,658</u>	<u>\$ 1,372,889</u>	<u>\$ 472,319</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 13,078	\$ 24,323	\$ 54,956	\$ 3,995	\$
Capital Projects					
Debt Service Fund					
Unreserved					
General Fund	296,142				
Special Revenue Funds		1,416,666	25,702	1,368,894	472,319
Total Fund Balances	<u>\$ 309,220</u>	<u>\$ 1,440,989</u>	<u>\$ 80,658</u>	<u>\$ 1,372,889</u>	<u>\$ 472,319</u>

The accompanying notes are an integral part of the financial statements.

**PIKE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2010**

<b>General Obligation Bond Fund</b>	<b>Judicial Center Bond Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 2	\$ 1,564,053	\$ 35,887	\$ 4,616,385
			9,659
			583,348
			66,625
<u>\$ 2</u>	<u>\$ 1,564,053</u>	<u>\$ 35,887</u>	<u>\$ 5,276,017</u>
\$	\$	\$ 52,616	\$ 148,968
	1,564,053		1,564,053
2			2
			296,142
		(16,729)	3,266,852
<u>\$ 2</u>	<u>\$ 1,564,053</u>	<u>\$ 35,887</u>	<u>\$ 5,276,017</u>

**Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:**

Total Fund Balances	\$ 5,276,017
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	164,905,862
Accumulated Depreciation	(97,620,092)
Long-term and short-term debt is not due and payable	
in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(2,207,431)
Bonded Debt	<u>(15,445,000)</u>
Net Assets Of Governmental Activities	<u>\$ 54,909,356</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>	<u>LGED Fund</u>
<b>REVENUES</b>					
Taxes	\$ 4,342,919	\$	\$	\$	\$
In Lieu Tax Payments	24,525	216			
Excess Fees	661,003				
Licenses and Permits	245,041				
Intergovernmental	1,341,946	12,047,729	2,563,760	10,246,744	
Charges for Services	20,677		315,522	913	
Miscellaneous	140,332	739,259	29,646	226,335	196,672
Interest	3,897				565
Total Revenues	<u>6,780,340</u>	<u>12,787,204</u>	<u>2,908,928</u>	<u>10,473,992</u>	<u>197,237</u>
<b>EXPENDITURES</b>					
General Government	3,869,556			475,971	
Protection to Persons and Property	796,504		3,375,316	818,227	
General Health and Sanitation				1,056,604	
Social Services	136,402			1,139,322	
Recreation and Culture				2,447,178	
Roads	120,098	15,143,630			
Airports				94,392	
Other Transportation Facilities				26,976	
Debt Service		637,727		396,120	
Capital Projects				74,256	
Administration	<u>1,736,761</u>	<u>1,540,215</u>	<u>995,946</u>	<u>449,817</u>	
Total Expenditures	<u>6,659,321</u>	<u>17,321,572</u>	<u>4,371,262</u>	<u>6,978,863</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>121,019</u>	<u>(4,534,368)</u>	<u>(1,462,334)</u>	<u>3,495,129</u>	<u>197,237</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Notes					
Discount on Notes					
Proceeds from Assets Held for Resale		484,780			
Transfers From Other Funds	182,812	5,496,981	1,271,307		
Transfers To Other Funds	<u>(590,490)</u>	<u>(745,870)</u>		<u>(6,927,441)</u>	<u>(182,812)</u>
Total Other Financing Sources (Uses)	<u>(407,678)</u>	<u>5,235,891</u>	<u>1,271,307</u>	<u>(6,927,441)</u>	<u>(182,812)</u>
Net Change in Fund Balances	(286,659)	701,523	(191,027)	(3,432,312)	14,425
Fund Balances - Beginning	<u>595,879</u>	<u>739,466</u>	<u>271,685</u>	<u>4,805,201</u>	<u>457,894</u>
Fund Balances - Ending	<u>\$ 309,220</u>	<u>\$ 1,440,989</u>	<u>\$ 80,658</u>	<u>\$ 1,372,889</u>	<u>\$ 472,319</u>

The accompanying notes are an integral part of the financial statements.

**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>General Obligation Bond Fund</b>	<b>Judicial Center Bond Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 10,647	4,353,566
			24,741
			661,003
			245,041
239,489			26,439,668
			337,112
		49,070	1,381,314
1	101		4,564
239,490	101	59,717	33,447,009
			4,345,527
		5,719	4,995,766
			1,056,604
			1,275,724
			2,447,178
			15,263,728
			94,392
		1,291,139	1,318,115
801,913	4,544,921		6,380,681
	2,062,386		2,136,642
	50,000	351,994	5,124,733
801,913	6,657,307	1,648,852	44,439,090
(562,423)	(6,657,206)	(1,589,135)	(10,992,081)
	6,500,000		6,500,000
	(14,950)		(14,950)
			484,780
562,302		1,533,489	9,046,891
			(8,446,613)
562,302	6,485,050	1,533,489	7,570,108
(121)	(172,156)	(55,646)	(3,421,973)
123	1,736,209	91,533	8,697,990
\$ 2	\$ 1,564,053	\$ 35,887	\$ 5,276,017

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**PIKE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds \$ (3,421,973)

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	14,602,973
Depreciation Expense	(3,289,713)
Disposal Of Asset Held For Resale	(613,498)
Capital Asset Disposal, Net Book Value	(72,775)

The issuance of debt (e.g. bonds, leases) provides current financial resources to governmental funds, while debt principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no affect on net assets.

Note Proceeds	(6,500,000)
Financing Obligations Principal Payments	915,690
Bond Principal Payments	4,915,000
Change in Net Assets of Governmental Activities	\$ 6,535,704

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**June 30, 2010**



**PIKE COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Business-Type Activities</b>		
	<b>Enterprise Fund</b>		
	<b>Solid Waste Fund</b>	<b>Jail Canteen Fund</b>	<b>Totals</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 4,838,332	\$ 72,196	\$ 4,910,528
Total Current Assets	<u>4,838,332</u>	<u>72,196</u>	<u>4,910,528</u>
Noncurrent Assets:			
Capital Assets:			
Buildings	69,660		69,660
Vehicles and Equipment	6,711,499		6,711,499
Less Accumulated depreciation	<u>(3,796,262)</u>		<u>(3,796,262)</u>
Total Noncurrent Assets	<u>2,984,897</u>		<u>2,984,897</u>
Total Assets	<u>7,823,229</u>	<u>72,196</u>	<u>7,895,425</u>
<b>Liabilities</b>			
Current Liabilities			
Financing Obligations Payable	<u>518,162</u>		<u>518,162</u>
Total Current Liabilities	<u>518,162</u>		<u>518,162</u>
Noncurrent Liabilities			
Financing Obligations Payable	<u>4,438,034</u>		<u>4,438,034</u>
Total Noncurrent Liabilities	<u>4,438,034</u>		<u>4,438,034</u>
Total Liabilities	<u>4,956,196</u>		<u>4,956,196</u>
<b>Net Assets</b>			
Invested in Capital Assets,			
Net of Related Debt	(1,971,299)		(1,971,299)
Restricted for Landfill Closure and Postclosure	2,763,397		2,763,397
Unrestricted	<u>2,074,935</u>	<u>72,196</u>	<u>2,147,131</u>
Total Net Assets	<u>\$ 2,867,033</u>	<u>\$ 72,196</u>	<u>\$ 2,939,229</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Solid Waste Fund</b>	<b>Jail Canteen Fund</b>	<b>Totals</b>
<b>Operating Revenues</b>			
Operating Grants	\$ 112,194	\$	\$ 112,194
Garbage Collection	3,142,915		3,142,915
Landfill User Fees	2,371,589		2,371,589
Recycling	57,453		57,453
Miscellaneous	236,845		236,845
Canteen Receipts		115,303	115,303
Total Operating Revenues	<u>5,920,996</u>	<u>115,303</u>	<u>6,036,299</u>
<b>Operating Expenses</b>			
Office Materials & Supplies	606,028		606,028
Office Expense	182,294		182,294
Maintenance Expense	2,315,740		2,315,740
Insurance	162,665		162,665
Grant Expenditures	213,398		213,398
Capital Expenditures	1,435,223		1,435,223
Uniforms	7,067		7,067
Payroll Expense	2,301,034		2,301,034
Fringe Benefits	1,661,277		1,661,277
Cost of Sales		9,081	9,081
Educational and Recreational		103,637	103,637
Depreciation	321,344		321,344
Total Operating Expenses	<u>9,206,070</u>	<u>112,718</u>	<u>9,318,788</u>
Operating Income (Loss)	<u>(3,285,074)</u>	<u>2,585</u>	<u>(3,282,489)</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest Income	47,178		47,178
Total Non-operating Revenues (Expenses)	<u>47,178</u>		<u>47,178</u>
Net Income (Loss) Before Transfers	(3,237,896)	2,585	(3,235,311)
Transfers In	187,341		187,341
Transfers Out	(787,619)		(787,619)
Change In Net Assets	<u>(3,838,174)</u>	<u>2,585</u>	<u>(3,835,589)</u>
Total Net Assets - Beginning (Restated)	6,705,207	69,611	6,774,818
Total Net Assets - Ending	<u>\$ 2,867,033</u>	<u>\$ 72,196</u>	<u>\$ 2,939,229</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**



**PIKE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Solid Waste Fund</b>	<b>Jail Canteen Fund</b>	
<b>Cash Flows From Operating Activities</b>			
Receipts From Customers	\$ 5,313,170	\$ 115,303	\$ 5,428,473
Miscellaneous	236,845		236,845
Contributions From Other Agencies	258,787		258,787
Grant Receipts	112,194		112,194
Payments to Vendors	(4,922,415)		(4,922,415)
Payments to Employees	(2,301,034)		(2,301,034)
Payments of Benefits on Behalf of Employees	(1,661,277)		(1,661,277)
Cost of Sales		(9,081)	(9,081)
Educational & Recreational		(103,637)	(103,637)
Net Cash Provided (Used) By Operating Activities	<u>(2,963,730)</u>	<u>2,585</u>	<u>(2,961,145)</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers to Other Funds	(787,619)		(787,619)
Transfers from Other Funds	187,341		187,341
Net Cash (Used) By Noncapital Financing Activities	<u>(600,278)</u>		<u>(600,278)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Loss on Sale of Asset	(6,241)		(6,241)
Lease Proceeds	4,300,804		4,300,804
Principal Paid on Capital Debt	(254,512)		(254,512)
Interest Paid on Capital Debt	<u>(41,355)</u>		<u>(41,355)</u>
Net Cash Provided By Capital and Related Financing Activities	3,998,696		3,998,696
<b>Cash Flows From Investing Activities</b>			
Interest Earned	<u>47,178</u>		<u>47,178</u>
Net Increase (Decrease) in Cash and Cash Equivalents	481,866	2,585	484,451
Cash and Cash Equivalents - July 1, 2009 (Restated)	4,356,466	69,611	4,426,077
Cash and Cash Equivalents - June 30, 2010	<u>\$ 4,838,332</u>	<u>\$ 72,196</u>	<u>\$ 4,910,528</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ (3,285,074)	\$ 2,585	\$ (3,282,489)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	321,344		321,344
Total Cash Provided (Used) By Operating Activities	<u>\$ (2,963,730)</u>	<u>\$ 2,585</u>	<u>\$ (2,961,145)</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**PIKE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	<u><b>Agency Fund</b></u>
	<u><b>Inmate</b></u>
	<u><b>Account</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 49,920
Total Assets	<u>49,920</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>49,920</u>
Total Liabilities	<u>49,920</u>
<b>Net Assets</b>	
Total Net Assets	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets are included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Pike County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Auditing Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes an organization that is legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Pike County Public Properties Corporation**

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. All activities of the Public Properties Corporation are accounted for within the Judicial Center Bond Fund in the fiscal year ended June 30, 2010.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Discretely Presented Component Units

The component units' column in the government wide financial statements includes the data of the following organizations. It is reported on the Statement of Net Assets and the Statement of Activities in separate columns that are labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

Pike County Interlocal 911 Board

The Pike County Interlocal 911 Board (the Board) is a legally separate entity established to provide emergency response services to Pike County. The Board's members are appointed independently of the Pike County Fiscal Court, and the Board's governing body is substantially different from that of the Fiscal Court. However, the Fiscal Court is financially accountable for the Board because the Fiscal Court must approve rate changes established by the Board and therefore does not have a separate audited financial report. This financial accountability requires management to include the Board as a component unit. The Board is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Board is presented discretely.

The fiscal court appropriated \$431,932 to the Board for operating expenses in the fiscal year ending June 30, 2010. The Board reimbursed the fiscal court \$365,307. As of June 30, 2010, the balance of owed to the fiscal court was \$66,625.

Pike County Golf Management Corporation

The Pike County Golf Management Corporation (the Corporation) is a legally separate entity established to provide recreational services to Pike County. The Pike County Fiscal Court appoints the Corporation's board members, and the Corporation's governing body is substantially different from that of the Fiscal Court. The Corporation is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Board is presented discretely.

The fiscal court appropriated \$223,899 to the Corporation for operating expenses in the fiscal year ending June 30, 2010. The Corporation reimbursed the fiscal court \$80,000. As of June 30, 2010 the balance owed to the fiscal court was \$583,348.

Audited financial statements of the Pike County Golf Management Corporation can be obtained by writing the Board at 26 Hurts Branch, Pikeville, Kentucky 41501.

**C. Pike County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Pike County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities; however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Pike County, Kentucky.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Pike County Elected Officials (Continued)**

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-Wide and Fund Financial Statements**

The primary government reports the governmental activities, business-type activities, proprietary funds, and fiduciary funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities and the statement of revenues, expenses and changes in fund net assets - proprietary funds.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The governmental funds are accounted for on the modified cash basis and focus on the flow of current financial resources. Revenues are recognized when received and expenditures are recognized when paid.

The primary government reports the following major governmental funds:

*General Fund* - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or when management requires that a separate fund be used for some function.

*Road Fund* - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

*Jail Fund* - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue are reimbursements from the state and federal government and transfers from other funds. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

*Local Government Economic Assistance Fund* - The purpose of this fund is to account for funds earmarked for economic development. The primary sources of revenue for this fund are from the state. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

*Local Government Economic Development Fund* - The purpose of this fund is to account for projects funded by the Local Economic Development funds. The primary sources of revenue are grants received from the Department for Local Government. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

*General Obligation Bond Fund* - The purpose of this fund is to account for debt service requirements of general obligation bonds of the Fiscal Court. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

*Judicial Center Bond Fund* - The purpose of this fund is to account for the construction and debt service requirements for the Judicial Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The government also has the following non-major funds: Forestry Fund and Maintenance Garage Fund.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide and Fund Financial Statements (Continued)**

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Forestry Fund, Local Government Economic Development Fund, and Maintenance Garage Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund

The General Obligation Bond Fund and the Judicial Center Bond Fund are used to account for the accumulation of resources for, and the payment of long-term debt principal and interest.

Proprietary Funds

The proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's proprietary funds are garbage collection fees and landfill user fees in the Solid Waste Fund and charges to customers for sales in the Jail Canteen Fund. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements of Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary funds:

*Solid Waste Fund* - The solid waste fund operations are authorized by the Fiscal Court. The Solid Waste Fund allows for the collection and disposal of garbage from residents of Pike County. Also included in this fund is the operation of a county landfill. The Fords Branch Landfill Closing fund is included in the operations of the Solid Waste fund. The Fords Branch Landfill Closing fund collects funds during the active life of the landfill to cover final closure costs and post-closure maintenance and monitoring costs 30 years after final closure.

*Jail Canteen Fund* - The canteen operations are authorized pursuant to KRS 441.135 (1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135 (2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide and Fund Financial Statements (Continued)**

The primary government reports the following fiduciary fund:

*Jail Inmate Account* - This fund accounts for funds received from inmates after incarceration.

**Presentation of Component Units**

The financial statements present the following major discretely presented component units: Pike County Interlocal 911 Board and Pike County Golf Management Corporation.

These component units are presented in a separate column on the Statement of Net Assets and the Statement of Activities that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land and land improvements, buildings and building improvements, vehicles and equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10 - 60
Buildings and Building Improvements	50,000	10 - 75
Vehicles and Equipment	5,000	3 - 25
Infrastructure	25,000	2 - 40

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance cost when received or when paid, during the current period.

The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds received are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Pike County Fiscal Court: Mountain Water District, Pike County Housing Authority, and the Pike County Extension Board.

**K. Jointly Governed Organization**

Pike County Fiscal Court, in conjunction with the City of Pikeville, has created the Pikeville-Pike County Airport Board (Board). The Board is composed of six appointed members, three appointed from each of the two participating governments. The Fiscal Court appropriated \$182,745 to the Board for operating expenses. The Board reimbursed the fiscal court \$173,086. As of June 30, 2010, the balance owed to the fiscal court was \$9,659.

**Note 2. Deposits**

The primary government and its discretely presented component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the primary government or its discretely presented component unit and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the primary government's or its discretely presented component unit's deposits may not be returned. The primary government and its discretely presented component unit do not have deposit policies for custodial credit risk, but rather follow the requirements of KRS 41.240(4). As of June 30, 2010, the primary government's deposits and discretely presented component unit's deposits were covered by FDIC insurance or a properly executed collateral security agreement.



**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 569,068	\$	\$	\$ 569,068
Construction in Progress	2,673,443	2,062,386		4,735,829
Total Capital Assets Not Being Depreciated	3,242,511	2,062,386		5,304,897
Capital Assets, Being Depreciated:				
Land Improvements	694,178	399,577		1,093,755
Buildings	21,796,899	527,554		22,324,453
Vehicles and Equipment	8,117,790	1,567,992	(227,376)	9,458,406
Infrastructure	116,949,616	10,045,464	(270,729)	126,724,351
Total Capital Assets Being Depreciated	147,558,483	12,540,587	(498,105)	159,600,965
Less Accumulated Depreciation For:				
Land Improvements	(71,713)	(35,750)		(107,463)
Buildings	(9,064,534)	(468,321)		(9,532,855)
Vehicles and Equipment	(4,788,949)	(578,595)	171,809	(5,195,735)
Infrastructure	(80,830,513)	(2,207,047)	253,521	(82,784,039)
Total Accumulated Depreciation	(94,755,709)	(3,289,713)	425,330	(97,620,092)
Total Capital Assets, Being Depreciated, Net	52,802,774	9,250,874	(72,775)	61,980,873
Governmental Activities Capital Assets, Net	<u>\$ 56,045,285</u>	<u>\$ 11,313,260</u>	<u>\$ (72,775)</u>	<u>\$ 67,285,770</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Buildings	\$ 69,660		\$	\$ 69,660
Vehicles and Equipment	5,772,365	964,383	(25,249)	6,711,499
Total Capital Assets Being Depreciated	5,842,025	964,383	(25,249)	6,781,159
Less Accumulated Depreciation For:				
Buildings	(3,096)	(1,548)		(4,644)
Vehicles and Equipment	(3,490,830)	(319,796)	19,008	(3,791,618)
Total Accumulated Depreciation	(3,493,926)	(321,344)	19,008	(3,796,262)
Total Capital Assets, Being Depreciated, Net	2,348,099	643,039	(6,241)	2,984,897
Business-Type Activities Capital Assets, Net	<u>\$ 2,348,099</u>	<u>\$ 643,039</u>	<u>\$ (6,241)</u>	<u>\$ 2,984,897</u>

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Pike County Interlocal 911 Board				
<u>Component Unit Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 1,096,343	\$ 13,737	\$	\$ 1,110,080
Less Accumulated Depreciation For:				
Vehicles and Equipment	(529,825)	(83,815)		(613,640)
Component Unit Activities Capital Assets, Net	<u>\$ 566,518</u>	<u>\$ (70,078)</u>	<u>\$ 0</u>	<u>\$ 496,440</u>
Pike County Golf Management Corporation				
<u>Component Unit Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 540,724	\$ 64,738	\$ (87,404)	\$ 518,058
Less Accumulated Depreciation For:				
Vehicles and Equipment	(368,726)	(33,613)	62,408	(339,931)
Component Unit Activities Capital Assets, Net	<u>\$ 171,998</u>	<u>\$ 31,125</u>	<u>\$ (24,996)</u>	<u>\$ 178,127</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 329,811
Protection to Persons and Property	343,547
General Health and Sanitation	20,204
Social Services	10,479
Recreation and Culture	137,755
Roads	<u>2,447,917</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,289,713</u>
<u>Business-Type Activities</u>	
General Health and Sanitation	<u>\$ 321,344</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 321,344</u>
<u>Component Unit Activities:</u>	
Pike Co. Interlocal 911 Board	\$ 83,815
Pike Co. Golf Management Board	<u>33,613</u>
Total Depreciation Expense - Component Unit Activities	<u>\$ 117,428</u>

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Assets Held For Resale**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets Held For Resale:				
Vehicles	\$ 613,498		\$ 613,498	\$
Total Assets Held For Resale	\$ 613,498	\$	\$ 613,498	\$

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Assets Held For Resale:				
Vehicles	\$ 250,584		\$ 250,584	\$
Total Assets Held For Resale	\$ 250,584	\$	\$ 250,584	\$

**Note 5. Short-Term Debt**

Governmental Activities

**A. First Mortgage Revenue Bond Anticipation Notes, Series 2010**

On April 30, 2010, Pike County Fiscal Court issued \$6,500,000 of First Mortgage Revenue Bond Anticipation Notes to pay off the First Mortgage Revenue Bond Anticipation Notes, Series 2008 and provide additional interim funds to pay costs associated with the new Judicial Center. The notes require semiannual interest payments due April 1 and October 1 with the first being due October 1, 2010. The notes will mature April 1, 2011. As of June 30, 2010, the principal amount outstanding was \$6,500,000. Note payments for the remaining year are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2011	\$ 77,095	\$ 6,500,000
Totals	<u>\$ 77,095</u>	<u>\$ 6,500,000</u>

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 5. Short-Term Debt (Continued)**

Business-Type Activities

**B. Tax and Revenue Anticipation Note, Series 2010**

On February 9, 2010, Pike County Fiscal Court entered into a note agreement with Kentucky Association of Counties Leasing Trust Program for the purposes of financing a current year cash flow deficit until the KACO-Landfill Phase V #26 was finalized. The principal amount of the note agreement was \$690,129. The note agreement requires monthly interest payments due on the 20<sup>th</sup> of each month with a variable interest rate with the principal due on June 20, 2010. The note agreement was paid off in May 2010.

**C. Changes in Short-Term Liabilities**

Short-term liability activity of the primary government for the year ended June 30, 2010 was as follows:

<b>Primary Government:</b>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
<u>Governmental Activities:</u>					
Bond Anticipation Notes	\$	\$ 6,500,000	\$	\$ 6,500,000	\$ 6,500,000
Governmental Activities					
Short-term Liabilities	\$ 0	\$ 6,500,000	\$ 0	\$ 6,500,000	\$ 6,500,000
<u>Business-Type Activities:</u>					
Tax & Revenue Anticipation Note	\$	\$ 690,129	\$ 690,129	\$	\$
Business-Type Activities					
Short-term Liabilities	\$ 0	\$ 690,129	\$ 690,129	\$ 0	\$ 0

**Note 6. Long-Term Debt**

Governmental Activities

**A. Courthouse #4**

On June 17, 1991, Pike County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for courthouse renovations. The principal amount of the lease was \$5,000,000. The agreement requires variable monthly payments for 25 years to be paid in full July 1, 2016. The principal balance of the agreement was \$1,930,560 as of June 30, 2010. The variable interest rate results in a payment schedule that may not compare to the prior year schedule. Lease payments for the remaining years are as follows:

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 6. Long-Term Debt (Continued)**

Governmental Activities (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2011	\$ 74,568	\$ 276,688
2012	63,142	293,322
2013	50,919	310,956
2014	37,996	329,649
2015	24,283	349,468
2016	<u>9,767</u>	<u>370,477</u>
Totals	<u>\$ 260,675</u>	<u>\$ 1,930,560</u>

**B. Courthouse Extra #5**

On June 29, 1993, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for an additional courthouse renovation and furniture. The principal amount of the lease was \$600,000. The agreement requires variable monthly payments for 25 years to be paid in full March 1, 2018, with a variable interest rate. The variable interest rate results in a payment schedule that may not to compare the prior year schedule. The principal balance of the agreement was \$268,172 as of June 30, 2010. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2011	\$ 10,519	\$ 28,028
2012	9,363	29,867
2013	8,114	31,827
2014	6,788	33,915
2015	5,381	36,131
2016-2018	<u>6,694</u>	<u>108,404</u>
Totals	<u>\$ 46,859</u>	<u>\$ 268,172</u>

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 6. Long-Term Debt (Continued)**

Governmental Activities (Continued)

**C. Senior Citizens Vehicle #20**

On January 5, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for a Senior Citizens vehicle. The principal amount of the lease was \$20,699. The agreement requires variable monthly payments for 5 years to be paid in full January 20, 2012. The principal balance of the agreement was \$8,699 as of June 30, 2010. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2011	\$ 498	\$ 4,000
2012	237	4,699
Totals	<u>\$ 735</u>	<u>\$ 8,699</u>

**D. PVA Vehicles #22**

On March 22, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for a PVA vehicle. The principal amount of the lease was \$56,744. The agreement requires variable monthly payments. The Fiscal Court has paid two extra payments to change the maturity date to January 20, 2010. The lease agreement was paid in full in September 2009.

**E. Dump Trucks #24**

On July 31, 2008, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 3 Mack trucks. The principal amount of the lease was \$306,749. The agreement requires monthly payments due on the 20<sup>th</sup> of each month with an interest rate of 3.95% to be paid in full June 20, 2010. The lease agreement was paid in full in June 2010.

**F. Dump Trucks #25**

On August 19, 2008, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 3 Mack trucks. The principal amount of the lease was \$306,749. The agreement requires monthly payments due on the 20<sup>th</sup> of each month with an interest rate of 3.95% to be paid in full June 20, 2010. The lease agreement was paid in full in June 2010.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 6. Long-Term Debt (Continued)**

Governmental Activities (Continued)

**G. Revenue Refunding, Series 2004**

In September 2004, the Pike County Fiscal Court, issued \$4,320,000 in general obligation-refunding bonds to refinance the 1997 bond issue for the Hall of Justice. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due September 1. The bonds will mature September 1, 2018. As of June 30, 2010, the principal amount outstanding was \$3,000,000. Bond payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2011	\$ 103,678	\$ 305,000
2012	93,821	325,000
2013	82,503	345,000
2014	70,078	365,000
2015	56,664	385,000
2016-2019	<u>100,681</u>	<u>1,275,000</u>
Totals	<u>\$ 507,425</u>	<u>\$ 3,000,000</u>

**H. Improvement Bonds, Series 2005**

On March 24, 2006, the Pike County Fiscal Court, issued \$6,400,000 in general obligation improvement bonds for improvements to the Hall of Justice. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due March 1. The bonds will mature March 1, 2036. As of June 30, 2010, the principal amount outstanding was \$5,945,000. Bond payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2011	\$ 268,685	\$ 130,000
2012	262,835	135,000
2013	256,760	140,000
2014	250,460	145,000
2015	243,935	150,000
2016-2020	1,111,675	855,000
2021-2025	903,775	1,045,000
2026-2030	646,150	1,310,000
2031-2035	319,638	1,655,000
2036	<u>17,290</u>	<u>380,000</u>
Totals	<u>\$ 4,281,203</u>	<u>\$ 5,945,000</u>

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 6. Long-Term Debt (Continued)**

Governmental Activities (Continued)

**I. Revenue Bond Anticipation Notes, Series 2008**

On May 7, 2008, the Pike County Fiscal Court, issued \$4,500,000 in first mortgage revenue bond anticipation notes to construct a new judicial center. The bonds require one annual principal and interest payment due May 1 of each year. The bonds matured May 1, 2010. The bonds were paid in full in May 2010.

Business-Type Activities

**J. Dump Truck #24**

On July 31, 2008, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 1 Mack truck. The principal amount of the lease was \$125,292. The agreement requires monthly payments due on the 20<sup>th</sup> of each month with an interest rate of 3.95% to be paid in full June 20, 2010. The lease agreement was paid in full in June 2010.

**K. Dump Truck #25**

On August 19, 2008, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 1 Mack truck. The principal amount of the lease was \$125,292. The agreement requires monthly payments due on the 20<sup>th</sup> of each month with an interest rate of 3.95% to be paid in full June 20, 2010. The lease agreement was paid in full in June 2010.

**L. John Deere Lease-Purchase**

On May 20, 2010, Pike County Fiscal Court entered into a lease-purchase agreement with John Deere Credit to purchase a John Deere Dozer. The principal amount of the lease-purchase agreement was \$260,124. The agreement requires monthly payments due on the 20<sup>th</sup> of each month with an interest rate of 3.95% to be paid in full June 20, 2015. As of June 30, 2010, the principal amount outstanding was \$256,196. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2011	\$ 9,254	\$ 48,162
2012	7,317	50,100
2013	5,302	52,115
2014	3,205	54,211
2015	1,025	51,608
Totals	<u>\$ 26,103</u>	<u>\$ 256,196</u>



**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 6. Long-Term Debt (Continued)**

Business-Type Activities (Continued)

**M. KACO-Landfill Phase V #26**

On May 4, 2010, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for acquisition and construction of the Landfill Phase V. The principal amount of the lease was \$4,700,000. The agreement requires monthly interest payments due on the 20<sup>th</sup> of each month with an interest rate of 3.699% with principal payments due on May 20 of each year. The lease will mature on May 20, 2020. As of June 30, 2010, the principal amount outstanding was \$4,700,000. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2011	\$ 190,953	\$ 470,000
2012	171,909	470,000
2013	152,537	470,000
2014	133,272	470,000
2015	113,939	470,000
2016-2020	<u>279,474</u>	<u>2,350,000</u>
Totals	<u>\$ 1,042,084</u>	<u>\$ 4,700,000</u>

**N. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 9,360,000	\$	\$ 415,000	\$ 8,945,000	\$ 435,000
Bond Anticipation Notes	4,500,000		4,500,000		
Financing Obligations	<u>3,123,121</u>		<u>915,690</u>	<u>2,207,431</u>	<u>308,716</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 16,983,121</u>	<u>\$ 0</u>	<u>\$ 5,830,690</u>	<u>\$ 11,152,431</u>	<u>\$ 743,716</u>
<u>Business-Type Activities:</u>					
Lease-Purchase Agreement	\$	\$ 260,124	\$ 3,928	\$ 256,196	\$ 48,162
KACO-Dump Trucks #24	125,292		125,292		
KACO-Dump Trucks #25	125,292		125,292		
KACO-Landfill Phase V #26		<u>4,700,000</u>		<u>4,700,000</u>	<u>470,000</u>
Business-Type Activities					
Long-term Liabilities	<u>\$ 250,584</u>	<u>\$ 4,960,124</u>	<u>\$ 254,512</u>	<u>\$ 4,956,196</u>	<u>\$ 518,162</u>

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 6. Long-Term Debt (Continued)**

Pike County Golf Course Management Corporation - Business-Type Activities

- N. A lease purchase agreement for the acquisition of a John Deere 1420 mower was entered into in June 2006. The agreement is with John Deere Credit payable in 36 monthly payments beginning June 2006. The monthly payments are \$456. The lease is collateralized by the greens mower and is expected to mature in June 2009. The lease purchase agreement was paid in full in June 2009.
- O. A lease purchase agreement for the acquisition of a Toro Gang Reel Mower was entered into in March 2004. The agreement is with GE Capital payable in 60 monthly payments beginning April 2004. The monthly payments are \$441 inclusive of interest of 5.71%. The lease is collateralized by the mower and is expected to mature in April 2009. The lease purchase agreement was paid in full in April 2009.

**Note 7. Employee Retirement System**

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

The county's contribution for FY 2008 was \$1,418,807, FY 2009 was \$1,224,012, and FY 2010 was \$1,541,203.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participate on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Insurance**

For the fiscal year ended June 30, 2010, Pike County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 9. Deferred Compensation**

The Pike County Fiscal Court participates in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 10. Estimated Infrastructure Historical Cost**

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

**Note 11. Landfill Closure and Post-Closure Costs**

401 KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars, the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. The Ford's Branch Landfill closure plan currently calls for six phases. As of June 30, 2010, 83% of phase four of the landfill capacity had been used. The Fiscal Court is currently constructing Phase V of the landfill but as of June 30, 2010, the new phase has not opened.

Pike County must comply with established state and federal closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs total \$3,719,400, and estimated post closure care costs total \$13,433 per year for 30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Since the financial statements are prepared on a modified cash basis of accounting, no liability has been recognized for closure or post closure costs.

The fiscal court is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The fiscal court annually deposits \$130,000 of solid waste receipts into an account reserved for the landfill closing. At June 30, 2010, the Ford's Branch Landfill Closing Fund had a cash balance of \$2,763,397.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 11. Landfill Closure and Post-Closure Costs (Continued)**

The Ford's Branch Landfill is scheduled to close in the year 2010. It is anticipated that sufficient funds will be available in the Ford's Branch Landfill Closing Account to pay estimated closure and post-closure costs.

**Note 12. Related Party Transactions**

The County entered into the following related party transactions, which were approved by the fiscal court:

The County expended \$7,491 with Pauley Building Center for repairs and maintenance supplies. County Judge/Executive Wayne Rutherford's son managed the Pauley Building Center.

The County expended \$95,472 with East Kentucky Chemicals for cleaning supplies. The Treasurer's spouse is employed by East Kentucky Chemicals.

The County expended \$665 with Venter's Gulf Service for towing services. County Magistrate Kenneth Robinson's son owns Venter's Gulf Service.

**Note 13. Property Taxes**

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date.

**Note 14. Subsequent Events**

On August 5, 2010, Pike County Fiscal Court issued \$30,925,000 of Pike County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Justice Center Project), Series 2010 for the purpose of acquiring, constructing, and furnishing the new Justice Center. The bond requires semiannual interest payments with a variable interest rate. The bonds will mature on February 1, 2030.

On August 5, 2010, Pike County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Trust Program to purchase 2 trucks for the Solid Waste Fund. The principal amount of the lease agreement is \$243,319. The lease requires monthly interest payments due on the 20<sup>th</sup> of the month with an interest rate of 2.551%. The lease will mature on August 20, 2013.

On August 23, 2010, Pike County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Trust Program to purchase 3 trucks for the Road Fund. The principal amount of the lease agreement is \$338,694. The lease requires monthly interest payments due on the 20<sup>th</sup> of the month with an interest rate of 2.552%. The lease will mature on August 20, 2013.

On September 13, 2010, Pike County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Trust Program to purchase 3 trucks for the Road Fund. The principal amount of the lease agreement is \$338,694. The lease requires monthly interest payments due on the 20<sup>th</sup> of the month with an interest rate of 2.799%. The lease will mature on August 20, 2013.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 15. Prior Period Adjustments**

The Beginning Net Assets of the Governmental Activities was restated as follows:

Beginning Net Asset	\$ 45,700,209
Construction in Progress Not Included	<u>2,673,443</u>
Adjusted Beginning Net Assets	<u>\$ 48,373,652</u>

The Beginning Net Assets of the Business-Type Activities was restated as follows:

Beginning Net Asset	\$ 6,774,167
Immaterial Adjustment	<u>651</u>
Adjusted Beginning Net Assets	<u>\$ 6,774,818</u>

The Beginning Net Assets of the Solid Waste Fund was restated as follows:

Beginning Net Asset	\$ 6,704,556
Immaterial Adjustment	<u>651</u>
Adjusted Beginning Net Assets	<u>\$ 6,705,207</u>

The Beginning Fund Balance of the Solid Waste Fund was restated as follows:

Solid Waste Fund Balance - Ending Balance Prior Year	\$ 4,356,457
Adjustment to prior year ending balance in order to balance	<u>9</u>
Solid Waste Fund Balance - Beginning Balance - Restated	<u>\$ 4,356,466</u>

**Note 16. Fund Balance - Deficit**

As of June 30, 2010, the Maintenance Garage Fund had a deficit in its' unreserved special revenue fund balance in the amount of \$25,484. The deficit was due to the existence of encumbrances in the amount of \$52,616. The deficit was eliminated with the deposit of funds after June 30, 2010.

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**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**





**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**

**For The Year Ended June 30, 2010**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,347,359	\$ 4,342,919	\$ 4,342,919	\$
In Lieu Tax Payments	21,609	38,184	24,525	(13,659)
Excess Fees	691,000	661,003	661,003	
Licenses and Permits	243,000	245,640	245,041	(599)
Intergovernmental Revenue	1,042,148	1,767,540	1,351,951	(415,589)
Charges for Services	27,000	27,397	20,677	(6,720)
Miscellaneous	54,940	140,932	140,332	(600)
Interest	25,000	5,000	3,897	(1,103)
Total Revenues	6,452,056	7,228,615	6,790,345	(438,270)
<b>EXPENDITURES</b>				
General Government	3,939,076	4,092,945	3,869,556	223,389
Protection to Persons and Property	811,430	1,087,706	863,129	224,577
General Health and Sanitation	4,000	4,000		4,000
Social Services	147,921	158,921	136,402	22,519
Roads	117,045	138,368	120,098	18,270
Administration	1,940,477	1,924,871	1,736,761	188,110
Total Expenditures	6,959,949	7,406,811	6,725,946	680,865
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(507,893)	(178,196)	64,399	242,595
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	307,893	182,812	182,812	
Transfers To Other Funds		(590,490)	(590,490)	
Total Other Financing Sources (Uses)	307,893	(407,678)	(407,678)	
Net Changes in Fund Balances	(200,000)	(585,874)	(343,279)	242,595
Fund Balances - Beginning	200,000	585,874	585,874	
Fund Balances - Ending	\$ 0	\$ 0	\$ 242,595	\$ 242,595

See accompanying notes to required supplementary information.

**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 225	\$ 225	\$ 216	\$ (9)
Intergovernmental Revenue	3,085,340	13,877,275	12,532,509	(1,344,766)
Miscellaneous	575,000	776,479	739,259	(37,220)
Total Revenues	3,660,565	14,653,979	13,271,984	(1,381,995)
<b>EXPENDITURES</b>				
Roads	6,559,357	18,570,679	15,781,357	2,789,322
Administration	1,595,189	1,573,877	1,540,215	33,662
Total Expenditures	8,154,546	20,144,556	17,321,572	2,822,984
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(4,493,981)	(5,490,577)	(4,049,588)	1,440,989
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	4,754,851	5,496,981	5,496,981	
Transfers To Other Funds	(720,870)	(745,870)	(745,870)	
Total Other Financing Sources (Uses)	4,033,981	4,751,111	4,751,111	0
Net Changes in Fund Balances	(460,000)	(739,466)	701,523	1,440,989
Fund Balances - Beginning	460,000	739,466	739,466	
Fund Balances - Ending	\$ 0	\$ 0	\$ 1,440,989	\$ 1,440,989

See accompanying notes to required supplementary information.

**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>JAIL FUND</b>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,981,953	\$ 2,442,565	\$ 2,563,760	\$ 121,195
Charges for Services	234,700	320,496	315,522	(4,974)
Miscellaneous	12,000	29,607	29,646	39
Total Revenues	<u>2,228,653</u>	<u>2,792,668</u>	<u>2,908,928</u>	<u>116,260</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	2,971,403	3,476,344	3,375,316	101,028
Administration	1,060,006	1,011,240	995,946	15,294
Total Expenditures	<u>4,031,409</u>	<u>4,487,584</u>	<u>4,371,262</u>	<u>116,322</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,802,756)</u>	<u>(1,694,916)</u>	<u>(1,462,334)</u>	<u>232,582</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>1,762,756</u>	<u>1,423,231</u>	<u>1,271,307</u>	<u>(151,924)</u>
Total Other Financing Sources (Uses)	<u>1,762,756</u>	<u>1,423,231</u>	<u>1,271,307</u>	<u>(151,924)</u>
Net Changes in Fund Balances	(40,000)	(271,685)	(191,027)	80,658
Fund Balances - Beginning	<u>40,000</u>	<u>271,685</u>	<u>271,685</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 80,658</u>	<u>\$ 80,658</u>

See accompanying notes to required supplementary information.

**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	LGEA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 15,150,535	\$ 12,972,206	\$ 10,349,700	\$ (2,622,506)
Charges for Services	1,500	1,500	913	(587)
Miscellaneous	5,000	226,335	226,335	
Total Revenues	15,157,035	13,200,041	10,576,948	(2,623,093)
EXPENDITURES				
General Government	558,966	573,012	475,971	97,041
Protection to Persons and Property	958,719	1,099,497	818,227	281,270
General Health and Sanitation	606,607	1,116,626	1,056,604	60,022
Social Services	1,237,727	1,234,561	1,143,959	90,602
Recreation and Culture	4,061,875	4,213,661	2,671,077	1,542,584
Airports	105,500	107,585	104,051	3,534
Other Transportation Facilities and Services	20,000	26,976	26,976	
Debt Service	551,077	838,907	524,181	314,726
Capital Projects	1,613,074	1,060,749	473,557	587,192
Administration	501,453	488,854	449,817	39,037
Total Expenditures	10,214,998	10,760,428	7,744,420	3,016,008
Excess (Deficiency) of Revenues				
Over Expenditures Before Other Financing Sources (Uses)	4,942,037	2,439,613	2,832,528	392,915
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(8,865,772)	(6,752,106)	(6,365,139)	386,967
Total Other Financing Sources (Uses)	(8,865,772)	(6,752,106)	(6,365,139)	386,967
Net Changes in Fund Balances	(3,923,735)	(4,312,493)	(3,532,611)	779,882
Fund Balances - Beginning	3,923,735	4,312,493	4,312,493	
Fund Balances - Ending	\$ 0	\$ 0	\$ 779,882	\$ 779,882

See accompanying notes to required supplementary information.

**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>LGED FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Miscellaneous	\$ 174,730	\$ 196,671	\$ 196,672	\$ 1
Interest	1,250	529	565	36
Total Revenues	175,980	197,200	197,237	37
<b>EXPENDITURES</b>				
General Government	633,980	472,283		472,283
Total Expenditures	633,980	472,283		472,283
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(458,000)	(275,083)	197,237	472,320
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds		(182,812)	(182,812)	
Total Other Financing Sources (Uses)		(182,812)	(182,812)	
Net Changes in Fund Balances	(458,000)	(457,895)	14,425	472,320
Fund Balances - Beginning	458,000	457,895	457,894	(1)
Fund Balances - Ending	\$ 0	\$ 0	\$ 472,319	\$ 472,319

See accompanying notes to required supplementary information.

**PIKE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances**

Following is a summary of adjustments that convert the cash basis budgetary schedules to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

General Fund:

**Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances**

Budgetary Basis - Receipts	\$ 6,790,345
Less: Receivable Payment Collected From 911 Board	(10,005)
Modified Cash Basis	<u>\$ 6,780,340</u>
 Budgetary Basis - Expenditures	 \$ 6,725,946
Less: 911 Board Expenses Paid	(66,625)
Modified Cash Basis	<u>\$ 6,659,321</u>
 Budgetary Basis - Ending Fund Balance	 \$ 242,595
Receivable Due From 911 Board	66,625
Modified Cash Basis	<u>\$ 309,220</u>

Road Fund:

**Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances**

Budgetary Basis - Receipts	\$ 13,271,984
Less: Proceeds from Assets Held for Resale	(484,780)
Modified Cash Basis	<u>\$ 12,787,204</u>
 Budgetary Basis - Other Financing Sources (Uses)	 \$ 4,751,111
Add: Proceeds from Assets Held for Resale	484,780
Modified Cash Basis	<u>\$ 5,235,891</u>

**PIKE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2010**  
**(Continued)**

**Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**

LGEA Fund:

**Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances**

Budgetary Basis - Receipts	\$ 10,576,948
Less: Receivable Payment Collected From Airport Board	(53,259)
Add: KACO Payment Incorrect Recorded	21,291
Less: Receivable Payment Collected From Golf Management Board	(80,000)
Plus: Debt Paid by PVA	9,012
Modified Cash Basis	<u>\$ 10,473,992</u>

Budgetary Basis - Expenditures	\$ 7,744,420
Less: Airport Board Expenses Paid	(9,659)
Less: Golf Management Board Expenses Paid	(223,899)
Add: KACO Payment Incorrect Recorded	21,291
Plus: Debt Paid by PVA	9,012
Less: Debt Service Paid to General Obligation Bond Fund	(562,302)
Modified Cash Basis	<u>\$ 6,978,863</u>

Budgetary Basis - Other Financing Obligations	\$ (6,365,139)
Add: Transfer Out -Debt Service Paid to General Obligation Bond Fund	(562,302)
Modified Cash Basis	<u>\$ (6,927,441)</u>

Budgetary Basis - Ending Fund Balance	\$ 779,882
Receivable Due From Airport Board	9,659
Receivable Due From Golf Management Board	583,348
Modified Cash Basis	<u>\$ 1,372,889</u>

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**PIKE COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -**  
**MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2010**



**PIKE COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -**  
**MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2010**

	<b>Forestry Fund</b>	<b>Maintenance Garage Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,755	\$ 27,132	\$ 35,887
Total Assets	<u>\$ 8,755</u>	<u>\$ 27,132</u>	<u>\$ 35,887</u>
<b>FUND BALANCES</b>			
Reserved For:			
Encumbrances	\$	\$ 52,616	\$ 52,616
Unreserved			
Special Revenue Funds	<u>8,755</u>	<u>(25,484)</u>	<u>(16,729)</u>
Total Fund Balances	<u>\$ 8,755</u>	<u>\$ 27,132</u>	<u>\$ 35,887</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2010**



**PIKE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2010**

	<b>Forestry Fund</b>	<b>Maintenance Garage Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 10,647	\$	\$ 10,647
Miscellaneous		49,070	49,070
Total Revenues	<u>10,647</u>	<u>49,070</u>	<u>59,717</u>
<b>EXPENDITURES</b>			
Protection to Persons and Property	5,719		5,719
Other Transportation Facilities and Services		1,291,139	1,291,139
Administration		351,994	351,994
Total Expenditures	<u>5,719</u>	<u>1,643,133</u>	<u>1,648,852</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>4,928</u>	<u>(1,594,063)</u>	<u>(1,589,135)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers From Other Funds		1,533,489	1,533,489
Total Other Financing Sources (Uses)		<u>1,533,489</u>	<u>1,533,489</u>
Net Change in Fund Balances	4,928	(60,574)	(55,646)
Fund Balances - Beginning	3,827	87,706	91,533
Fund Balances - Ending	<u>\$ 8,755</u>	<u>\$ 27,132</u>	<u>\$ 35,887</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUND - COMPONENT UNIT - MODIFIED CASH BASIS**  
**June 30, 2010**



**PIKE COUNTY INTERLOCAL 911 BOARD  
COMPONENT UNIT OF PIKE COUNTY  
BALANCE SHEET - GOVERNMENTAL FUND - MODIFIED CASH BASIS**

**June 30, 2010**

	<u><b>General Fund</b></u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 21,897
Total Assets	<u>21,897</u>
<b>Fund Balance</b>	
Unreserved	21,897
Total Fund Balance	<u><u>\$ 21,897</u></u>

**Reconciliation of the Balance Sheet-Governmental funds to the Statement of Net Assets**

Total Fund Balance	\$ 21,897
Amounts Reported For Governmental Activities In the Statement Of Net Assets Are Different Because	
Capital Assets , Net of Accumulated Depreciation, used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds	<u>496,440</u>
Net Assets of Pike County Interlocal 911 Board	<u><u>\$ 518,337</u></u>

The accompanying notes are an integral part of the financial statements

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**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND - COMPONENT UNIT - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**PIKE COUNTY INTERLOCAL 911 BOARD  
 COMPONENT UNIT OF PIKE COUNTY  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>General Fund</b>
<b>Revenues</b>	
Charges For Services	\$ 406,547
Interest	138
Total Revenues	<u>406,685</u>
<b>Expenditures</b>	
Protection To Persons and Property	395,923
Administration	36,010
Total Expenditures	<u>431,933</u>
Excess (Deficiency) Of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(25,248)</u>
Net Change in Fund Balances	(25,248)
Fund Balances-Beginning	<u>47,145</u>
Fund Balances-Ending	<u>\$ 21,897</u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
 In Fund Balance of Governmental Funds to the Statement of Activities**

Net Change in Fund Balances-Total Governmental Fund	\$ (25,248)
Government funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their useful lives and reported as depreciation expense.	
Capital Outlay	13,737
Depreciation Expense	<u>(83,815)</u>
Change in Net Assets of Pike County Interlocal 911 Board	<u>\$ (95,326)</u>

The accompanying notes are an integral part of the financial statements

**PIKE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2010**

Federal Grantor

Program Title

Grant Name (CFDA #)

Pass-Through

Grantor's NumberExpenditures

Cash Programs:

**U.S. Department of Commerce**Administered by the National Oceanic and Atmospheric  
Administration

PRIDE Grant-Spring Cleanup 2009

(CFDA #11.469)

SC09-82

\$ 2,750

PRIDE Grant-Roadside PRIDE 2009

(CFDA #11.469)

SC09-82

5,407

PRIDE Grant-Spring Cleanup 2010

(CFDA 11.469)

SC10-83

36,851

EDA Pike County Comprehensive Plan Project

(CFDA #11.307)

04-79-06083

37,040

Total U.S. Department of Commerce

82,048

**U.S. Department of Agriculture**Administered by the National Resources  
Conservation Service

Watershed Protection and Flood Prevention

(CFDA #10.904)

68-5C16-9

3,132,467

Total U.S. Department of Agriculture\*\*\*

3,132,467

**U.S. Department of Homeland Security**Passed-Through Commonwealth Department  
of Military Affairs:

Disaster Grant- Public Assistance

(CFDA #97.036)

FEMA-1454-DR-KY

3,000

Disaster Grants- Public Assistance

(CFDA #97.036)

FEMA-1841-DR-KY

5,602,758

Total Disaster Grants-Public Assistance \*\*\*

5,605,758

\*\*\* *Tested as Major Program*



**PIKE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Passed-Through Commonwealth Office of Homeland Security:		
Homeland Security Grant Program		
Mobile Data Computers and Related Equipment-2009 (CFDA #97.067)	P02-094-0800020901-1	\$ 8,506
Homeland Security Grant Program		
Mass Casualty Trailers W/Supplies (CFDA #97.067)	P02-094-1000002683-2	55,531
Emergency Management Assistance Program		
2009 Emergency Mgmt Performance Grant (CFDA #97.042)	P0N2-095-1000000487-3	37,777
Total Homeland Security Grant Program		101,814
Total U. S. Department of Homeland Security		5,707,572
*** <i>Tested as Major Program</i>		
<b>TOTAL FEDERAL AWARDS</b>		<u><u>\$ 8,922,087</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

**PIKE COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2010**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pike County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



# TICHENOR & ASSOCIATES, LLP

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The Honorable Wayne T. Rutherford, Pike County Judge/Executive  
Members of the Pike County Fiscal Court

## Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 4, 2011, wherein we issued a qualified opinion on the aggregate discretely presented component units and referred to the report of other auditors. Pike County presents its financial statements on the modified cash basis, which is a comprehensive basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pike County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Pike County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pike County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Pike County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Pike County Judge/Executive's response to the finding identified in our audit is included in the accompanying schedule of findings and questioned costs. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

March 4, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





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The Honorable Wayne T. Rutherford, Pike County Judge/Executive  
Members of the Pike County Fiscal Court

Report on Compliance With Requirements  
Applicable To Each Major Program And On Internal  
Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Pike County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Pike County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pike County's management. Our responsibility is to express an opinion on Pike County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pike County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pike County's compliance with those requirements.

In our opinion, Pike County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Pike County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pike County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pike County's internal control over compliance.

Report on Compliance With Requirements  
Applicable To Each Major Program And On Internal  
Control Over Compliance In Accordance With OMB Circular A-133

Internal Control Over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

March 4, 2011

**PIKE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2010**

**A. SUMMARY OF AUDIT RESULTS**

1. The Auditor's report expresses unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pike County. The auditors' report also expresses a qualified opinion on the aggregate discretely presented component units of Pike County.
2. One significant deficiency relating to the internal control of the audit of the financial statements is reported in the Independent Auditors' Report. The deficiency is also a material weakness.
3. No instances of noncompliance material to the financial statements of Pike County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report.
5. The auditors' report on compliance for the audit of the major federal awards programs for Pike County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Pike County reported in Part C of this schedule.
7. The programs tested as major programs were: U.S. Department of Homeland Security - Disaster-Public Assistance (CFDA #97.036) and U.S Department of Agriculture - Watershed Protection and Flood Prevention (CDFA #10.904).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Pike County was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**STATE LAWS AND REGULATIONS**

None.

**INTERNAL CONTROL - MATERIAL WEAKNESS**

**2010-1 The County Should Record Construction In Progress In The County's Accounting Records And Financial Statements**

During our audit, we noted that the County had not reported construction in progress relating to the construction of the Judicial Center in the prior year accounting records and financial statements. This resulted in a material adjustment of \$2,673,443 to the beginning balance of governmental activities in the current year financial statements.

We recommend the Fiscal Court ensure that construction in progress is recorded in the accounting records and the financial statements.

*Judge/Executive's Response: We will add the construction in progress to our records.*

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None.

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None.

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**PIKE COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2010**

Appendix A



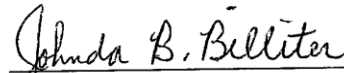
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
AND DEVELOPMENT PROGRAMS

PIKE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Pike County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs were expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Name: Wayne T. Rutherford  
County Judge/Executive

  
Name: Johnda B. Billiter  
County Treasurer

